



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Harding Loevner LP
Benchmark	MSCI World NR Index AUD
Product structure	LIC
Market cap. at 31-Jul-2023	\$274m
Price divergence	Moderate
Inception date	Mar 2004
Asset class	Global Equities
Sector	Global Large Cap
Peer group	LIC
Rated peers	5

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Medium
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	US\$36bn
ESG Approach	Filters or Screens
Peer Relative Fees and Costs	In line with median

Annual Fees and Costs (% p.a.)

Management fees & costs	1.23
Performance fee costs	0.00
Annual fees and costs	1.23

Source: FE fundinfo

Strengths

- The research process is robust and repeatable, and well-suited to the quality-growth focused investment philosophy
- The Manager has a long track record of successfully implementing the investment process through multiple market cycles.
- The strategy is supported by a well-resourced global research platform that provides broad coverage of the investment universe.

Weaknesses

- The co-portfolio managers have a relatively modest track record managing the strategy collectively.
- The sub-portfolio investment approach introduces an additional layer of complexity to decision making.
- The remuneration structure for co-portfolio managers lacks direct alignment to aggregate performance of the Company.

Product Opinion

The Company's rating has been maintained at 'Investment Grade' at the most recent review. Supporting the rating is conviction in the robust and repeatable research process. Moreover, the Manager has developed a long track record of successfully implementing the investment process. However, the rating is tempered by the relatively short joint track record of co-PMs and the sub-portfolio investment approach is seen as adding complexity and may dilute the team's best ideas. Further, alignment of the co-PMs could be bolstered with remuneration tied to the Company's aggregate performance.

Lonsec Rating Model

Rating key: ●●● Above ●●● In-line ●●● Below

Factor	Peer Rating	YoY Score Change
Business	●●●	—
Team	●●●	—
Process	●●●	—
ESG	●●●	—
Product	●●●	—
Fees	●●●	—
Performance	●●●	—

Allocation Profile

Core		
Satellite		
	Low Complexity	High Complexity

Return Profile

Income		
Capital		
	Defensive	Growth

Key Facts

Key Objectives

Investment objective	To outperform the Benchmark over the medium to long term
Internal return objective	To outperform the Benchmark by 3% p.a., before fees, over a market cycle
Internal risk objective	To achieve a lower standard deviation than the Benchmark over a market cycle

Asset Allocation (%)

International Equities	97.28
Cash	2.72
Total	100.00

Source: FE fundinfo

Trading Snapshot

Securities on issue	256m
Ticker	PIA
Last price	1.07
52 week high/low price	1.14/0.84
Last NTA or NAV	1.28
52 week high/low NTA or Nav	1.28/1.07
Premium/discount to NTA or NAV	-0.21

Rating History

09-May-2023	Investment Grade
28-Apr-2022	Recommended
03-Sep-2021	Recommended

Performance Analysis - annualised after fees at 31/10/2023

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	4.55	4.84	-11.80	-10.53	-3.27	-2.44	3.24	2.40
Standard deviation	15.23	15.23	23.30	19.45	21.06	18.92	20.39	18.95
Excess return (% p.a)	-7.03	-7.03	-15.16	-13.55	-15.21	-13.86	-7.49	-8.33
Outperformance ratio (% p.a)	50.00	50.00	41.67	41.67	44.44	38.89	48.33	41.67
Worst drawdown (%)	-6.57	-6.57	-38.83	-32.08	-38.83	-34.30	-38.83	-34.30
Time to recovery (mths)	NR	NR	NR	NR	NR	-	NR	-
Sharpe ratio	0.06	0.10	-0.60	-0.60	-0.22	-0.20	0.09	0.05
Information ratio	-0.46	-0.46	-0.91	-0.91	-0.94	-0.98	-0.46	-0.48
Tracking error (% p.a)	15.21	13.08	16.74	14.82	16.16	15.04	16.14	15.22

Lonsec Peer Group: Global Equities - Global Large Cap - LIC

Product Benchmark: MSCI World NR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

Time to recovery: NR - Not recovered, dash - No drawdown during period

Calculated using share price

Product Distribution Profile

Frequency	Quarterly
Last Missed Distribution	June 2012
Number of Missed Distributions in the last 5 years	None

Top 10 Holdings (as at 31/07/2023)

	Weight (%)
SCHNEIDER ELECTRIC SE	4.000
ALPHABET INC CAP STK USD0.001 CL A	3.860
AMETEK INC	3.820
DEERE & CO	3.730
VERTEX PHARMACEUTICALS INC	3.730
META PLATFORMS INC	3.340
AMAZON COM INC	3.160
Cash	2.720
ROCKWELL AUTOMATION INC	2.710
BANK CENTRAL ASIA PT	2.600

Source: FE fundinfo

Target Market Determination

Produced by issuer	No
Provided to Lonsec	No

Business



Facts

Investment Manager	Harding Loevner LP
Ultimate Parent Company	Private partnership, with 66% owned by Affiliated Managers Group (NYSE: AMG)
Headquarters	Bridgewater, US
Inception Date	Mar 1989
% Staff Ownership	20-50%

Governance

% Independent board members	Not applicable (Limited Partnership, Exec Committee)
% Female board members	40% (Exec. Committee)
Independent chair	No
CEO as Chair	No
Separate Audit Committee	No

Who is the Manager?

Harding Loevner LP ('Harding Loevner' or 'the Manager') is a global equities investments manager headquartered in Bridgewater, New Jersey (US). The firm was founded in 1989 by former managers of the Rockefeller family and remains 34% employee-owned, with the remainder owned by Affiliated Managers Group (NYSE: AMG).

Pengana Capital Limited ('Pengana') is the Fund's Responsible Entity ('RE') and is also responsible for distributing the strategy in Australia. Pengana is a wholly owned subsidiary of Pengana Capital Group Limited (ASX: PCG), a diversified funds management group founded in 2003 and headquartered in Sydney.

Lonsec Opinion

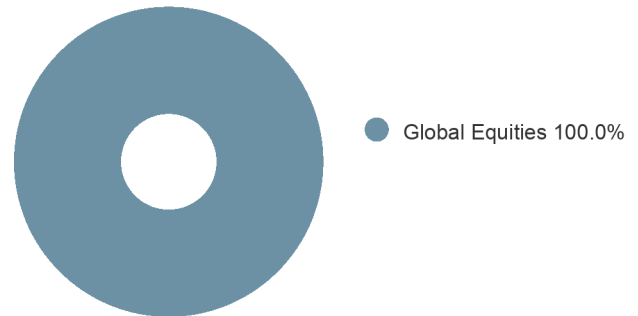
Profitability

The Manager is stand-alone profitable and well capitalised and has a healthy level of funds under management ('FUM') at US \$48.4bn as at 31 October 2023. The firm's earnings resilience is supported by a well-diversified global equity product range, encompassing emerging markets, along with an effective in-house distribution team.

Business Track record

The Manager has a long and successful track record dating back to the firm's inception. Over the years, the firm has continued diversifying its product suite across various global equity strategies, including those focused on emerging markets. The firm's expansion has led to considerable growth in FUM over the years. However, in recent times, there has been a notable decrease from the peak assets of US\$86bn attained in 2021. This decline can be attributed to a mix of market fluctuations and client redemptions, impacting the overall FUM.

AUM



Metrics

Investment Management Headcount	125
Investment Professionals	46
Sales & Service	0
Distributor	Internal
Total AUM	\$84.4bn

Business Ownership

The Manager displays a relatively strong 'boutique' investment culture with staff owning 34% of the business and with senior investors invited to participate in equity ownership after certain milestones have been achieved. AMG remains a supportive investor whilst also providing some additional back-office functions to the Manager.

Business Governance

The firm's business governance is deemed suitable for its size. Although the Manager operates as a private partnership without a formal board, it is led by an Executive Committee comprising senior executives. Additionally, there is a separate compliance committee, and there have been no regulatory findings in recent history which is encouraging.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Peter Baughan	Strategy lead	No	2003	40/26	21
Jingyi Li	Strategy lead	No	2021	25/13	7

KDM Change*

	Function	Change	Type	Tenure (yrs)	Date of change
Ferrill Roll	Strategy Lead	Departed	Internal	28	2021

* Last 3 years

Profile

Size	33
Structure	Centralised
Turnover	Medium

Alignment

KDM equity held in manager	Yes
KDM co-investment in strategy	Yes
Performance-Based bonus	Yes
Long Term investment plan	No

Resources

	Number	Average Years Experience
Key decision makers	2	33
Portfolio Managers		
Hybrid portfolio manager/ analysts	18	26
Dedicated analysts	15	15
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

Peter Baughan and Jingyi Li are co-portfolio managers ('co-PMs') for the global equity strategy. Baughan has been overseeing the strategy since 2003, bringing 41 years of investment experience. Conversely, Li joined the portfolio manager lineup more recently in 2021 and possesses 21 years of experience. Together, they are responsible for stock selection, risk management, and portfolio construction within their respective sleeves, while also maintaining oversight of the portfolio in aggregate. Baughan and Li are supported by Portfolio Managers, Christopher Mack, Richard Schmidt and Moon Surana. Whilst the trio aren't directly involved in decision-making for the global equity strategy, they each manage paper portfolios. The paper portfolios are a tool to signal investment ideas to the co-PMs, whilst also proving useful from a succession planning perspective.

A team of 33 investment professionals, including the portfolio managers for the Fund, is tasked with conducting research used in stock selection across the various strategies the Manager offers. The team's analytical duties are divided by global sectors and, in some cases, by more specialised regions like emerging markets.

On 1 October 2024, Schmidt will succeed Baughan as a portfolio manager of the global equity strategy, with Baughan recently announcing his retirement. With over 36 years of experience, Schmidt joined the firm in 2011 and has been a global equity portfolio manager since 2014. His model will replace Baughan's on the transition date. Mack and Surana will continue in their supporting roles.



Lonsec Opinion

Skill

Baughan is considered a high-quality investor with intimate knowledge of the investment process. He also serves as a portfolio manager for the Global Developed Markets Equity and Global Paris-Aligned Equity strategies and has analytical responsibilities for the consumer sector. Li is considered a capable investor with a decent level of industry experience, however, he continues to establish himself as a steward of the Fund and as a portfolio manager more broadly. Li also has research responsibilities for the industrial sector and Chinese equities, whilst also serving as a portfolio manager for the Manager's Global Developed Markets Equity, Global Paris-Aligned Equity and Chinese Equity strategies. The key decision-makers ('KDM's) are supported by an experienced analyst team primarily centralised at the Manager's US office, which should facilitate more efficient research collaboration. Further, whilst Schmidt possesses notable portfolio management experience, an assessment of his skill will be provided at the next formal review.

Team Size

The investment team of 33 is considered adequately resourced relative to peers and the size of the investment universe. Stock coverage for the team is delineated along global sectors and more specialised regional lines such as emerging and frontier markets. This narrow focus provides the scope for in-depth analysis and therefore may enhance the team's understanding of both new and existing investment prospects.

Track Record/Co-Tenure

Baughan has significant tenure at the firm and has a notable track record managing the strategy. Similarly, Li has a decent tenure at the firm, however, he continues to establish himself in the role of portfolio manager of the Fund having been assigned to the Manager's Global Developed Markets Equity, Global Paris-Aligned Equity and Chinese Equity strategies in 2021. Additionally, Schmidt, who joined the firm in 2011 and has served as a global portfolio manager since 2014, will be a key focus in the upcoming reviews as he integrates into the formal portfolio manager lineup of the Fund. While some turnover is typical for larger investment teams, the firm has managed this aspect well, maintaining an average tenure of 10 years.

Alignment

The KDMs demonstrate reasonable alignment with end investors and both Baughan and Li are partners within the business. However, the co-PMs are remunerated based on the performance of their sub-portfolio, with no direct alignment to the strategy's aggregate performance. Whilst this approach enhances individual accountability, it dilutes the sense of collective accountability and alignment to the Fund's performance relative to peers. Non-partners participate in a long-term deferred compensation plan that is linked to the success of their annual investment performance and the achievement of other mutually agreed-upon goals. Further, whilst not an organisational requirement, there is a strong co-investment culture within the investment team which is viewed favourably.

Key Person Risk

KPR associated with Baughan is high given his significant track record managing the strategy. Conversely, KPR associated with Li is considered moderate given his recent transition to the co-portfolio manager role and reflecting the relatively early stages of his portfolio management responsibilities. Notably, Baughan's expected departure introduces a degree of transition risk as Schmidt adjusts to the co-PM structure, and his performance as a portfolio manager for the Fund will be closely monitored. Factors that compensate for this include the bench of portfolio managers managing paper portfolios for the strategy, the level of co-investment and equity ownership among the KDMs, and the firm's successful experience in managing succession plans for other strategies.

Process



What is the Investment Process?

The Manager employs a bottom-up, fundamental approach to identifying companies along four key quality and growth criteria - competitive advantage, quality management, financial strength and sustainable growth. The Company invests per a model portfolio that is created by merging two separate sub-portfolios constructed by the co-PMs. Stocks are selected from the pool of analyst-rated stocks based on their risk-adjusted return potential relative to the broader research universe. While the Manager's philosophy emphasises both quality and growth, the valuation sensitivity of the research process, along with a higher level of portfolio diversification, has occasionally led to milder quality-growth characteristics compared to peers in the Fundamental Growth peer group.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Growth
Typical market cap	All-cap
Minimum market cap	US\$1bn
Available Universe	Global listed securities

The 'quality/growth' approach is highly portable to the underlying fund's universe and aligns well with the Company's outperformance objectives. The Company's mandate, while more risk-aware than some peers, is flexible enough to ensure that the Company can meet its 3% alpha target over a market cycle.

Research Process

Key screens	Balance Sheet, Earnings, Liquidity, Market Cap, Other
Screened universe	550
Idea generation	Company research, Meeting with management and stakeholders, Industry research
Stocks researched	450
Annual manager meetings	274
Key research inputs	Company reports, Industry research, Meeting with management and other industry participants
Primary valuation approach	DCF

The key edge over peers is the Manager's stricter definition of quality and growth and the repeatability of its investment process. The team is adequately resourced, offering reasonable breadth, though it has limited international presence beyond the US, despite maintaining an office in London. Despite the Manager's informal approach to idea generation, which allows analysts the flexibility to identify investment opportunities from various sources, the underlying research methodology is considered structured, focusing on consistently evaluating companies against four key quality and growth criteria. Analysts utilise a proprietary Quality Assessment ('QA') Framework comprising ten factors that each company is scored against, thus enhancing comparability across sectors and regions. Moreover, the relative valuation approach reinforces valuation discipline. In terms of 'bottom-up' research, the intellectual property rests on the depth of research conducted which is considered thorough and aided by regular industry reviews conducted by the investment team. Further, the firm's investment tools are comparable with larger peers.

Process (continued)



Portfolio Construction

Portfolio management structure	Co-PM
Approach to benchmark	Benchmark agnostic
Typical security numbers	65
Typical securities range	35-75
Typical portfolio turnover p.a.	25%
Typical active share	>80%

Only stocks that have received analyst ratings are considered for the Company. The co-PMs select stocks from this pool based on their return potential and ability to enhance the portfolio's overall risk/return profile. The sub-portfolios are roughly equally weighted and combined to form the model portfolio. Minimal overlap between the two sub-portfolios historically suggests differences in sector and regional biases between the co-PMs and the judgement of the risk and return potential of individual positions. Whilst improving diversification, this approach risks not adequately allocating capital to the best ideas. Analysts monitor companies against milestones, with positive or negative developments potentially altering conviction. However, recent challenges, particularly in stock selection, require improvement to enhance confidence in the Company.

Capacity Management

Capacity guidance	US\$50bn
Strategy AUM	US\$14bn
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	Not applicable
Strategy previously closed	No

There are no capacity concerns given FUM is well below the stated capacity target.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Axioma, FactSet
Security Limits (Min./Max.)	'Hard limit': 0-5%, Absolute
Sector Limits (Min./Max.)	'Hard limit': 0-25%, Absolute
Max illiquid	None
Non-index Allocation (Typical, Max.)	0%, 0%
Cash Allocation (Typical, Max.)	3%, 10%

Risk management is considered largely embedded within the Manager's investment process. The Company's quality focus should provide natural protection against downside risk. Further, the Company's risk mandate is constrained due to its volatility target. To achieve this the sector, industry, country and regional exposures of the model portfolio are subject to strict portfolio guidelines. The co-PMs are notified should a sub-portfolio be at risk of causing the model portfolio to breach any portfolio guidelines. Additionally, there is independent risk monitoring overseen by the CIO, Head of Risk, and Risk Committee, with regular reviews. The risk management tools are comparable to industry standards, using a combination of commonly used third-party and proprietary risk systems.

ESG



Manager Positioning

Responsible investment style	Ethical
ESG approach	Risk or Value
Sustainability thematic	Not applicable
Non-financial objective	None

Sustainability Score



Refer to current quarterly Sustainability Report

What is the Manager's ESG approach?

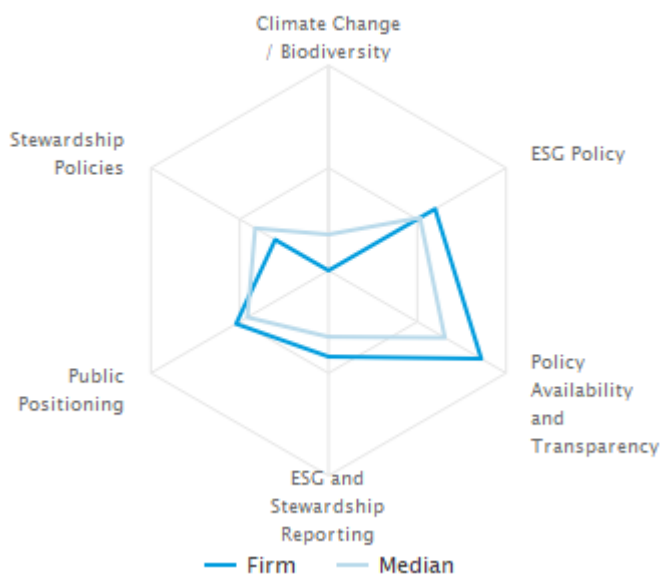
The Manager has indicated that their Responsible Investment style is 'ESG Integration' and as such they consider environmental, social and governance factors when assessing investment opportunities. With a primary ESG style of 'risk or value', the Manager will determine inclusion based on the balance of overall risk (including ESG risk) and potential return. As a result, this approach may mean that lower-quality ESG companies may be included if the return potential is sufficient and this may conflict with some client's perception of what a strong ESG process would deliver.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	Mod
Responsible Investment strategy risk: Clarity, measurability & reporting	Not applicable

ESG Snapshot



Manager Level Approach

The Manager's overall ESG policy framework and disclosure are slightly behind peers. The Manager has an articulated commitment to integrating ESG within their investment process with clear evidence of public positioning and publically available ESG, proxy voting and engagement policies. The level of disclosure concerning proxy voting and engagement policies is behind peers with both frameworks lacking depth compared to peers. Reporting on voting outcomes is considered in line with peers and the Manager has pleasingly published selected company engagements since the last review.

Product Level Approach

The Manager has an appropriately structured approach to the collection and use of ESG-specific data. They access multiple providers and data feeds into research models. There are clear signs of strong ESG elements within the research process for the Company. There are also clear links from the Manager's research to the stock selection process through their cash flow and valuation models. While there are no direct ways that the ESG research drives portfolio construction, monitoring of ESG characteristics of the portfolio is clear. Further, while the Manager has systems in place to track and record engagements, there is no clear system for prioritising engagements or measuring success.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such, an alignment review for the product is not required and thus the product's risk of misalignment has been assessed as not applicable.

Product



Company Board & Service Providers

Chairperson	Francis Gooch
Independent chairperson	Yes
No. of directors	4
No. independent directors	2
No. of female directors	1
Separate Audit Committee	Yes
Separate Investment Committee	Yes
Investment manager	Harding Loevner LP
Custodian	BNP Paribas
Administrator	BNP Paribas
Auditor	PricewaterhouseCoopers
Change in Key Providers? (Over last 12 months)	No

Product Details

Market cap	\$274m
Premium / disc. (12M ave.)	15.8%
Authorised capital management	Buybacks
Net asset disclosure frequency	Weekly
Distribution model	Internal
Investment structure	Direct
Product type	LIC
Currency hedged	Unhedged

What is the Product Structure?

Pengana International Equities Ltd ('the Company') is a listed investment company ('LIC') that invests in an actively managed global equities portfolio of 35-75 predominately large-cap stocks, with a focus on high-quality, growing companies identified through fundamental research. The Company first listed on the ASX on 19 March 2004 (ASX:PIA). PIA was originally listed as a part of the Hunter Hall group. However, the management of the company underwent a significant restructuring through the merger of Hunter Hall International Limited with Pengana Capital Group in 2017. Shortly following the merger, Pengana was appointed as investment manager for the Company. The merger saw a restructure of the international equities capability and a renewed investment team put in place for the portfolio. Following the departure of Pengana's in-house portfolio manager in March 2021, Harding Loevner LP was appointed as the investment manager for the Company in May 2021.

Lonsec Opinion

Price Divergence

The LIC has consistently traded at a significant discount to its NTA in recent years. This trend has persisted over the past 12 months, albeit aligned with the performance of its peer group.

Liquidity

PIA displays reasonable liquidity. Its market capitalisation is aligned with the peer median and had not experienced a day without trade over the 12 months to 31 October 2023.

Governance

The four-member Board has a variety of backgrounds and is considered sufficiently qualified to fulfil its governance and oversight responsibilities effectively. It is structured reasonably, with half of its members, including the chairperson, being independent directors. Furthermore, the Board is dedicated to reducing the discount to NTA, as evidenced by a share buyback program extended to August 2024.

Secondary Market Support

Pengana is a large, diversified funds management business considered well-equipped to distribute the Company in the Australian marketplace effectively. Additionally, the Company demonstrates reasonable shareholder loyalty, with approximately 40% of shareholders representing advised accounts.

Fees



Annual Fees and Costs (% p.a.)

Management fees & costs	1.23
Performance fee costs	0.00
Annual fees and costs	1.23

Source: FE fundinfo

Performance Fees

Applicable	Yes
Hurdle type	Benchmark relative
Hurdle	Excess return
Rate	15.38%
Fee capping	No
High watermark	Yes
Above high watermark	No
Reset Allowed	No

Fees Explained

The Company charges management fees and costs of 1.23% p.a. of NAV. Additionally, the Manager will be entitled to a performance fee of 15.38% of the amount by which the Company's portfolio return exceeds the total return of the benchmark. While the performance fee is uncapped, it is subject to a high watermark and has no reset clause.

Lonsec Opinion

Annual Fees and Costs

The Company's fees are higher than its peers, impacted by the management costs of 1.23% p.a. Further, performance fees of 15.38% are linked to the portfolio rather than the share price which could lead to investors incur a performance fee when their share returns have been diminished due to a widening discount between the share price and NTA.

Fairness

The structure of the management and performance fees are high on a peer-relative basis. Further, the Company's fees are notably higher than those of the unlisted trust that largely follows the same investment strategy. The main observable difference is the additional ethical screening for the Company's underlying strategy.

Performance data is as at 31 October 2023

Performance

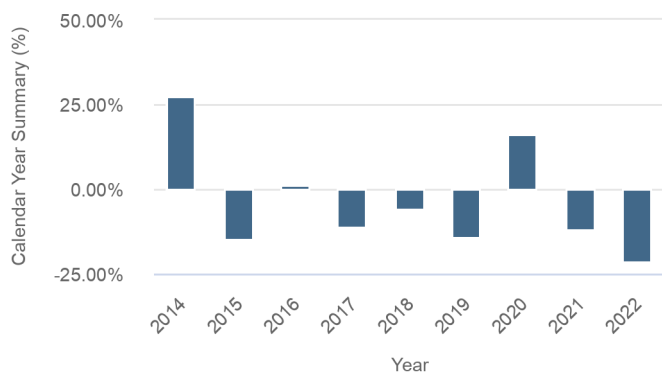
Performance Summary

Investment objective	To outperform the Benchmark over the medium to long term
Internal return objective	To outperform the Benchmark by 3% p.a., before fees, over a market cycle
Internal risk objective	To achieve a lower standard deviation than the Benchmark over a market cycle
Product benchmark	MSCI World NR Index AUD
Lonsec peer group	LIC

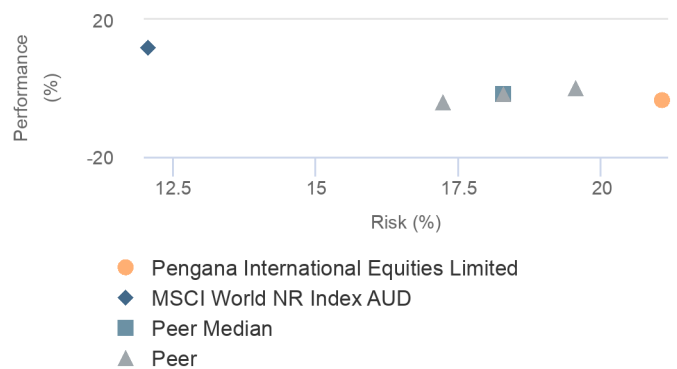
Alpha Generation

The underlying strategy had not achieved its stated investment objective over the medium term to 31 October 2023. Its long-term track record was affected by a challenging 2022 as rising interest rates hampered growth-oriented approaches. Despite a resurgence in growth over the past year, the strategy was unable to outperform.

Calendar Year Excess Return



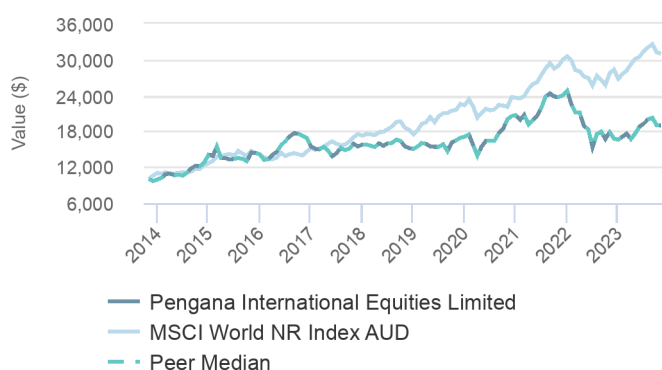
3 Year Risk and Return



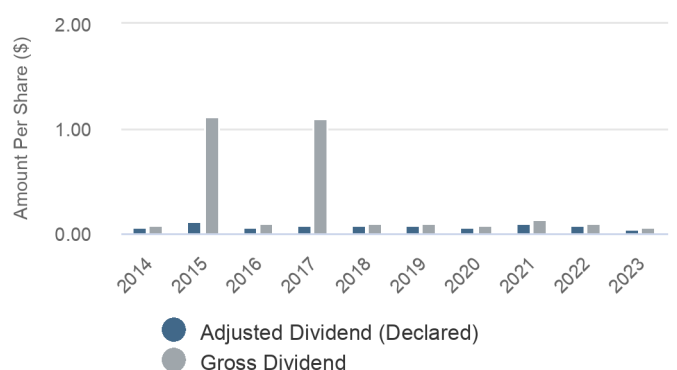
Alpha Consistency

Style headwinds and stock selection have impacted the track record of the underlying strategy in recent years. Before 2021, however, the strategy had a reasonably consistent track record of outperformance relative to the Benchmark. Since its inception to 31 October 2023, the underlying strategy outperformed by 1% p.a.

Growth of \$10,000 Over 10 Years



Dividend Record Over 10 years



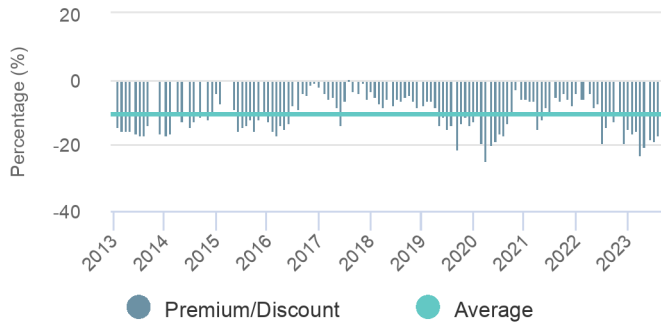
Performance data is as at 31 October 2023

Performance (continued)

Benchmark Relativity

The underlying strategy maintains a reasonable level of activeness despite the relatively strict portfolio risk guidelines, with an active share of approximately 80%. Whilst not a specific risk target, the underlying strategy's tracking error was comparable with the peer median over the five years to 31 October 2023 at 5.5% p.a.

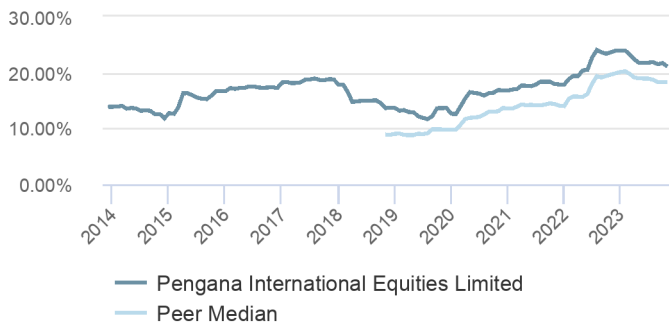
Share Price Premium/Discount to NTA Over 10 Years



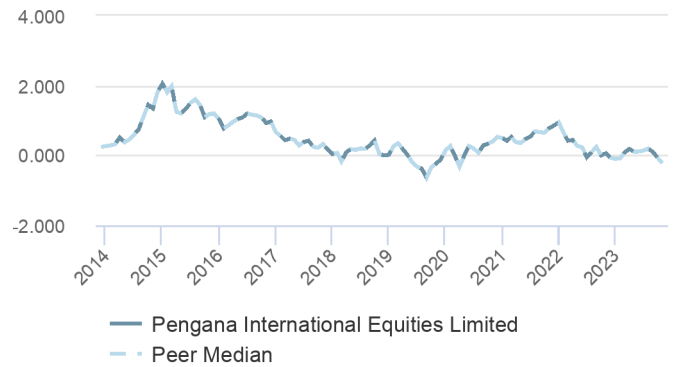
Return Volatility

The underlying strategy has a history of achieving lower volatility than the Benchmark, however, this trend has been challenged recently. Despite this, its volatility remains attractive compared to peers. Given its weaker performance outcomes, the underlying strategy's Sharpe ratio was lower than that of its peers over the past three years to 31 October 2023, indicating inferior risk-adjusted performance.

3 Year Rolling Standard Deviation Over 10 Years



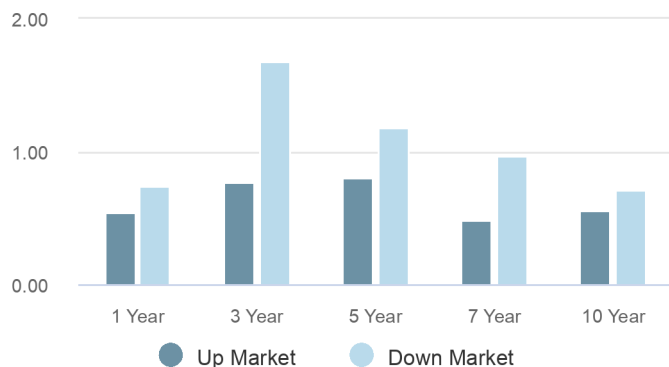
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

Although the underlying strategy has shown decent defensiveness historically, its track record was impacted by a significant drawdown of 27.8% in 2022. This outcome aligned with the peer group, where 'quality/growth' posed a notable headwind during the year.

Market Capture Ratio



Drawdowns



Scope

Scope of this rating

The rating incorporates a view on the Listed Investment Vehicle's (LIV) ability to meet its investment objectives and the vehicle's effectiveness. The rating should not be interpreted as an opinion on the 'intrinsic value' of the LIV relative to its price.

Ratings

'**Highly Recommended**' rating indicates that Lonsec has very strong conviction the product can meet its investment objectives.

'**Recommended**' rating indicates that Lonsec has strong conviction the product can meet its investment objectives.

'**Investment Grade**' rating indicates that Lonsec has conviction the product can meet its investment objectives.

'**Approved**' rating indicates that Lonsec believes the product can meet its investment objectives.

'**Not -Approved**' rating indicates that Lonsec does not believe the product can meet its investment objectives.

'**Closed / Wind Up**' status is applied when the product has been closed.

'**Fund Watch**' status is applied when a rating is under review due to the occurrence of a significant event relating to the product.

The '**Redeem**' rating indicates Lonsec no longer has sufficient conviction that the product can meet its investment objectives.

The '**Screened Out**' rating indicates Lonsec was unable to attain sufficient conviction that the product can meet its investment objectives.

'**Discontinued Review**' status is applied where a product issuer withdraws the product from the review process prior to completion, for any reason other than the product being closed or unavailable to investors.

The '**Ceased Coverage**' status is applied when a rated product is withdrawn from the research process by the product issuer.

General

Climate Change / Biodiversity: the extent to which a manager has a leading climate and biodiversity policies.

ESG and Stewardship Reporting: the transparency, accessibility and usefulness of a manager's reporting.

ESG Policy: the strength of commitment to ESG as ascertained by a review of a manager's ESG policies.

Excess return: Return in excess of the benchmark return.

Information ratio: Relative reward for relative risk taken (Excess Returns / Tracking Error).

Key decision maker (KDM): A nominated investment professional who has portfolio decision making discretion for a Fund, e.g. 'buy' or 'sell' decisions.

Market capture ratio: A product's performance during either 'up' or 'down' market trends relative to an index.

Policy Availability / Transparency: the ease of public access to, and transparency of, a manager's overall ESG policy suite.

Public Positioning: the resolve of a manager's commitment to ESG as ascertained by their public positioning.

Returns consistency: The proportion of a product's monthly outperformance during a period relative to the benchmark when it was rising, falling and in aggregate.

Sharpe ratio: Excess return earned for additional volatility experienced when holding riskier assets versus risk-free asset.

Standard deviation: Volatility of monthly Absolute Returns.

Stewardship Policies: the strength of a manager's proxy voting and engagement policies with respect to ESG.

Time to recovery: The number of months taken to recover the Worst Drawdown.

Total return: 'Top line' actual return, after fees.

Tracking error: Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns).

Worst drawdown: The worst cumulative loss ('peak to trough') experienced over the period assessed.

Lonsec Group Disclaimers

Issued by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec, we/our) a subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) and (Lonsec Group). This document is not a prospectus, any other form of disclosure document or product disclosure statement within the meaning of the Corporations Act 2001. Any advice contained in this document is General Advice only and has been prepared without taking into account investors' objectives, financial situation or needs. Prior to acting upon any information contained in this document, investors must do their own investigation and analysis of the appropriateness of the information or seek independent financial and/or tax advice, having regard to their objectives, financial situation and needs. Investors must consider reading any relevant Product Disclosure Statement (PDS) or offer document to assess the appropriateness of this advice in light of their own objectives before making a decision to obtain a financial product. Past performance is not a reliable indicator of future performance. © 2024 Lonsec Research. All rights reserved. You may not reproduce, transmit, disseminate, sell or publish this information without our written consent.

Except for any liability which cannot be excluded, no representation, warranty or undertaking, express or implied is made and no responsibility or liability is accepted by Lonsec Research, its directors, officers, employees and agents for any error or inaccuracy, misstatement or omission from this document or any loss or damage suffered by the recipient or any other person as a consequence of relying upon it.

Lonsec Research makes no representation, warranty or undertaking in relation to the accuracy, reasonableness or completeness of the information presented in this document which is compiled from information from public and third-party sources. We assume no obligation to update this document after publication. Lonsec Research provides this document for the exclusive use by the recipient to whom it is provided and should not be used or relied upon by any other person unless express permission is obtained from us. Additional fees and charges may apply. Please verify from the offer documents for the relevant financial product. In line with industry practice, returns may be estimated. To access verified returns please refer to the product issuer. This document may also contain third party material that is subject to copyright. To the extent that copyright subsists with a third party, it remains with the original owner and permission may be required to reuse the material.

The product rated in this publication may have related financial products or be associated with other financial products and platforms. Our rating applies to the financial product outlined in this publication. You should seek professional advice before you make an investment decision on related or associated financial products and platforms.

Lonsec Group Disclaimers (continued)

You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated financial products and platforms may be different from the financial product specified in this publication.

Disclosures

Lonsec Research does not hold the financial product(s) referred to in this document. Lonsec Research representatives and/or their associates may hold the financial product(s) referred to in this document, however we consider such holdings not to be sufficiently material to compromise the rating or advice. Lonsec Research receives a fee from the financial product issuer(s) for researching the financial product(s), using objective criteria. Lonsec Research's rating(s) outcome is not linked to the fee. Lonsec Research and its associates do not receive any other compensation or material benefits from product issuers or third parties in connection with the report. Lonsec Research's research process relies upon the participation of the financial product issuer(s). Should the financial product issuer(s) no longer participate in our research process, we reserve the right to withdraw the document at any time and discontinue future coverage. This is a summary of the research report, you can access the full research report via Lonsec Research. For information about our associations and/or relationships with product issuers, please refer to our Conflict of Interest Statement accessible here <https://www.lonsec.com.au/wp-content/uploads/2020/12/Lonsec-Group-Conflicts-of-Interest-Statement-Dec-2020.pdf>

Lonsec Research FSG

Financial Services Guide Lonsec Research 9 June 2023

This Financial Services Guide (FSG) has been prepared and issued by Lonsec Research Pty Ltd ABN 11 151 658 561 (Lonsec Research, we, us, our), holder of Australian Financial Services Licence (AFSL) No. 421445, to assist you in determining whether to use our financial services and products. This is an important document, and you should read it carefully. The contents of this FSG are general information only and does not take into account your personal needs or objectives. Lonsec Research provides no warranty as to the suitability of the services of this FSG for any particular person.

1.1 What is a Financial Services Guide?

This FSG's purpose is to provide you with important information regarding services offered by Lonsec Research. You should read this FSG prior to using our services. This document was prepared to inform you about:

- who we are and our contact details;
- the financial services we provide;
- the remuneration that may be paid to us and other persons in relation to the financial services we provide;
- how we deal with conflicts of interest; and
- how we deal with complaints

1.2 About Lonsec Research and its related parties

Lonsec Research provides in-depth, investigative investment research across a broad range of listed and unlisted investments.

Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

Contact Details

Lonsec Research Pty Ltd
Level 39, 25 Martin Place
Sydney NSW 2000

Tel: 1300 826 395

Email: info@lonsec.com.au
www.lonsec.com.au

1.3 What kind of financial services can Lonsec Research provide?

Lonsec Research is authorised under its Australian Financial Services Licence to provide general financial product advice to retail and wholesale clients on the following types of financial products:

- securities
- deposit and payment products limited to basic product products
- derivatives
- interests in managed investment schemes including investor directed portfolio services
- superannuation
- retirement savings accounts
- foreign exchange products
- life products including:
- investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
- life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

Lonsec Research is also authorised to deal in a financial product by arranging for another person to apply for, acquire, vary, or dispose of the above types of products for or by retail and wholesale clients.

1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser. Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

1.5 How Lonsec Research is paid

Lonsec Research receives fees from Fund Managers and/or financial product issuers for researching their financial product(s) using comprehensive and objective criteria.

Lonsec Research FSG (continued)

Lonsec receives subscriptions fees for providing research content to subscribers including financial advisers, fund managers and financial product issuers. Lonsec Research's fees are not linked to the financial rating outcome of a particular financial product. Lonsec Research fees are determined by private agreement with its clients depending on a number of criteria including the number of financial advisers who access Lonsec Research publications, the range of publications accessed and the complexity of a specific research assignment. Due to the specific nature of its charges, disclosure of Lonsec Research fees may not be ascertainable when you receive this FSG, but you are able to request this information in writing before a financial service is provided to you. The fees received by Lonsec Research do not have an effect on the inclusion (or otherwise) of a financial product in portfolios managed by Lonsec Investment Solutions; or in approved product lists as a result of Lonsec Investment Solutions consulting activities. We do not have any direct employees as all employees are contracted, for employment purposes, with Lonsec Fiscal, a subsidiary of Lonsec Holdings. All employees of Lonsec are paid a salary and may receive a discretionary bonus which is not guaranteed. Sales employees may have a sales commission plan, relevant for sales to Wholesale clients, as offered by Lonsec Research from time to time at its discretion.

1.6 How do we manage our compensation arrangements?

Lonsec Research has Professional Indemnity insurance arrangements in place to compensate clients for loss or damage because of breaches of any relevant legislative obligations by Lonsec Research or its representatives which satisfy section 912B of the Corporations Act 2001.

1.7 What should you do if you have a complaint?

Lonsec Research's internal complaints handling process is designed to ensure that your concerns are treated seriously, addressed promptly and fairly. A complaint may be lodged either verbally or in writing and will be dealt with in strict confidence. If you have a complaint relating to Lonsec Research's products, services, its employees, the complaint should be addressed to:

Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

Email: complaints@lonsec.com.au

An individual may request further information about Lonsec Research's internal complaints handling procedure at any time. If an individual is not satisfied with the outcome of their complaint or has not received a response within 30 days from Lonsec Research, the individual can complain to the Australian Financial Complaints Authority (AFCA). AFCA provides an independent dispute resolution service and can be contacted on:

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority

GPO Box 3

Melbourne, Victoria, 3001.

1.8 Conflicts of Interest

Lonsec Research is aware of the inherent potential conflicts of interest associated with the provision of ratings and how we are remunerated for our services. There are a comprehensive set of policies, and procedures in place at Lonsec Holdings that apply to its subsidiaries including Lonsec Research. Information barriers (both permanent and temporary) consistent with our regulatory obligations under Regulatory Guide 79 are in place to manage either perceived or actual conflicts of interest. Employees of Lonsec also have to abide by Personal Trading and Gifts and Entertainment requirements and are trained on these requirements from time to time.

Generation Development Group Limited (ACN 087 334 370), a shareholder of Lonsec Holdings, is the parent company of Generation Life Ltd who issue a series of products rated by Lonsec Research. Lonsec Research manages this potential conflict by disclosing to investors accessing our research of Generation Life related products, and implementing our comprehensive ratings process, information barriers and monitoring program. For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

Lonsec Holdings has appointed Australian Retirement Trust Pty Ltd ABN 88 010 720 840, AFSL 228975 as the provider of default superannuation services to its Group employees. Lonsec Holdings appointment of Australian Retirement Trust is not an endorsement of, or opinion on, the Fund.

Australian Retirement Trust is a subscriber to our services and pays a fee to us for this subscription service. Australian Retirement Trust rating and report is issued by an analyst who is aware of Australian Retirement Trust's appointment as default superannuation fund provider but who does not have a personal investment in the fund.

This FSG was prepared on 9 June 2023.